



# WEINLANDER FITZHUGH

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& CONSULTANTS

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CITY OF EVART –  
DOWNTOWN DEVELOPMENT AUTHORITY  
OSCEOLA COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2006

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**RSM McGladrey Network**  
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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name City of Evart - Downtown Development Auth	County Osceola
Fiscal Year End June 30, 2006	Opinion Date October 11, 2006	Date Audit Report Submitted to State 12.1.06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No significant issues noted	
Other (Describe)	<input checked="" type="checkbox"/>	Letter to Board	
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH		Telephone Number (989) 386-3481	
Street Address 601 BEECH STREET		City CLARE	State MI
Authorizing CPA Signature <i>Shannon L. Wilson</i>		Printed Name Shannon L. Wilson	License Number 1101027042

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## INDEPENDENT AUDITORS' REPORT

October 11, 2006

To the Board of Directors  
City of Evert - Downtown Development Authority  
Evert, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Evert - Downtown Development Authority, Evert, Michigan, a component unit of the City of Evert, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Evert - Downtown Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Evert - Downtown Development Authority as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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# WEINLANDER FITZHUGH

To the Board of Directors  
City of Evert - Downtown Development Authority  
October 11, 2006

## **Required Supplemental Information**

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

## **Other Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Evert - Downtown Development Authority's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Weinlander Fitzhugh*

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

Our discussion and analysis of the City of Evart - Downtown Development Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2006.

**Financial Highlights**

The Authority's net assets increased by \$34,584. Program revenues were \$31,067 or 21% of total revenues, and general revenues were \$118,383 or 79%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand City of Evart - Downtown Development Authority financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Authority, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Authority's operations in more detail than the Government-wide financial statements by providing information about the Authority's most significant funds – the General, the 2003 General Obligation Bond and the 1993 Special Assessment Bond Funds with all other funds presented in one column as nonmajor funds. Individual fund information for non-major funds is found in statements in a later section of this report. The following summarizes the presentation included in this annual financial report.

**Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

**Basic Financial Statements**

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

**Budgetary Information for the General Fund (Required Supplemental Information)**

**Other Supplemental Information**

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

**Reporting the Authority as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Authority's finances is, "Is the Authority better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Authority's net assets as a way to measure the Authority's financial position. The change in net assets provides the reader a tool to assist in determining whether the Authority's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Authority.

**Reporting the Authority's Most Significant Funds**

*Fund Financial Statements*

The Authority's fund financial statements provide detail information about the most significant funds – not the Authority as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue.

*Governmental Funds*

All of the Authority's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Authority's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Authority's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

**Government-wide Financial Analysis**

The statement of net assets provides the perspective of the Authority as a whole. Exhibit A provides a summary of the Authority's net assets as of June 30, 2006.

<b>Exhibit A</b>	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current and other assets	\$ 191,376	\$ 206,854
Capital assets - net of accumulated depreciation	56,081	58,473
Total assets	247,457	265,327
<b>Liabilities</b>		
Current liabilities	178,245	185,699
Long-term liabilities	205,000	250,000
Total liabilities	383,245	435,699
<b>Net Assets</b>		
Invested in property and equipment	(195,347)	(238,441)
Restricted	34,202	36,261
Unrestricted	25,357	31,808
Total net assets	\$ (135,788)	\$ (170,372)

# CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2006

This analysis focuses on net assets. The Authority's net assets were \$(135,788) at June 30, 2006. Capital assets, net of related debt, totaling \$(195,347) compares the original costs, less depreciation of the Authority's capital assets. The 2003 General Obligation Bond Fund will be repaid from property taxes collected for operations. The 1993 Special Assessment Bond Fund will be repaid from special assessments collected from the Downtown Development Authority area.

The \$25,357 in unrestricted net assets of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Authority as a whole are reported in the statement of activities, as summarized in Exhibit B below, which shows the changes in net assets for the years ended June 30, 2006.

<b>Exhibit B</b>	Governmental Activities	
	2006	2005
<b>Revenue</b>		
Program revenue:		
Grants and contributions	\$ 31,067	\$ 17,841
General revenue:		
Taxes	112,613	107,122
Interest	5,770	2,396
Other	0	9
Total revenue	149,450	127,368
 <b>Function/Program Expenses</b>		
General government	41,309	29,842
Community promotion	57,947	81,109
Community improvements	5,664	1,631
Interest on long-term debt	9,946	11,977
Total expenses	114,866	124,559
 <b>Increase in Net Assets</b>	\$ 34,584	\$ 2,809

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$114,866. Certain activities were partially funded from organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$112,613 in taxes, \$5,770 in interest and miscellaneous revenues.

The Authority experienced an increase in net assets of \$34,584. The net assets increased due to increased tax revenue and donations. The Authority also had a decrease in community promotion spending which was offset by an increase in general government spending. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

**The Authority's Funds**

The Authority uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Authority is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Authority's overall financial health.

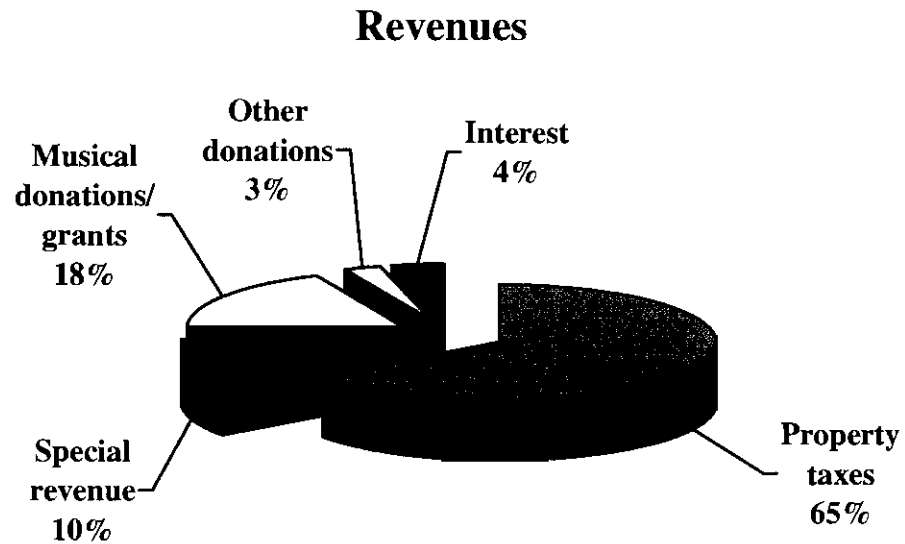
The Authority's governmental funds reported a combined fund balance of \$52,150, which is below last year's restated total of \$59,614. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2006 and 2005.

	<u>Fund Balance</u> <u>June 30, 2006</u>	<u>Fund Balance</u> <u>June 30, 2005</u>	<u>Increase</u>
General	\$ 17,948	\$ 23,353	\$ (5,405)
Debt service	34,202	36,261	(2,059)
Total	<u>\$ 52,150</u>	<u>\$ 59,614</u>	<u>\$ (7,464)</u>

- Our General Fund decreased \$5,405. The overall change was immaterial.
- Our Debt Service Funds decreased \$2,059. The decrease is due to payment of scheduled debt requirements.

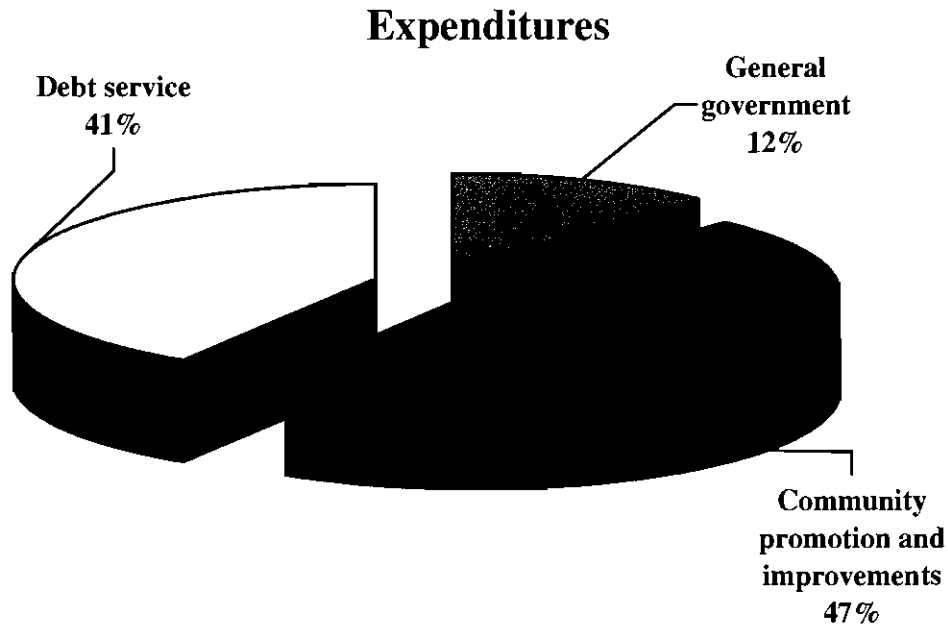
**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

As the graph below illustrates, the largest portion of the Authority's revenue is derived from property tax revenue.



**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

The graph below illustrates, 47% of the Authority's resources are spent on community promotion and improvements. Another 41% is spent on the payment of debt, while 12% is spent for general government and expenses such as administrative costs, including occupancy costs.



The chart below compares current year expenditures with prior year.

	2006	2005
<i>Expenditures by Function</i>		
General government	\$ 16,253	\$ 15,611
Community promotion	57,947	81,109
Community improvements	5,664	445
Debt service	55,572	52,175
Total	<u>\$ 135,436</u>	<u>\$ 149,340</u>

Expenditures are down by \$13,904 or 9% over the prior year mostly due to reduction in expenses for the Downtown Musical and a decrease in other capital project expenses.

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

**General Fund Budgetary Highlights**

Over the course of the year, the Authority revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Authority's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. There were no changes to the General Fund original budget.

The differences between the budget and actual amounts are as follows:

- Actual revenues were more than budgeted revenues by \$6,512. This is due to an increase in property tax revenue, interest income and other donations. These increases were offset by a decrease in Downtown Musical donations.
- Actual expenditures were under the budgeted expenditures by \$5,958. The difference is due to a decrease in community promotion expenditures, specifically for the Downtown Musical. The Authority did not purchase any land in the current year as originally budgeted. The Authority did not have any significant unexpected transactions as budgeted for through the contingency account. However, the Authority did incur more expenses than budgeted for in community improvements and for cost sharing with the City of Evart Local Development Finance Authority.

# CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY

## Management's Discussion and Analysis

For the Year Ended June 30, 2006

### **Capital Assets**

At June 30, 2006, the Authority had \$56,081 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. There were no additions to capital assets during the current year.

	<u>2006</u>	<u>2005</u>
Land	\$ 11,100	\$ 11,100
Building improvements	62,000	62,000
Furniture and fixtures	<u>9,000</u>	<u>9,000</u>
Total capital assets	82,100	82,100
Less accumulated depreciation	<u>26,019</u>	<u>23,627</u>
Net capital assets	<u><u>\$ 56,081</u></u>	<u><u>\$ 58,473</u></u>

We anticipate no major changes in capital assets in the upcoming fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

### **Debt**

At the end of this year, the Authority had \$250,000 in long-term debt outstanding versus \$295,000 in the previous year – a change of 15%. This long-term debt consisted of the following:

	<u>2006</u>	<u>2005</u>
Bonds	<u><u>\$ 250,000</u></u>	<u><u>\$ 295,000</u></u>

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

**Factors Expected to Have an Effect on Future Operations**

We expect to see an increase in property tax revenue next year as the tax base continues to be adjusted upward.

**Requests For Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the City of Evart - Downtown Development Authority. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Evart - Downtown Development Authority  
127 N. River Street  
Evart, MI 49631

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 168,891
Receivables:	
Special assessments	5,753
Prepaid expenses	8,950
Bond issuance costs less accumulated amortization of \$3,051	7,409
Discount on bonds less accumulated amortization of \$280	373
Capital assets less accumulated depreciation of \$26,019	<u>56,081</u>
 Total assets	 <u>247,457</u>
 <u>Liabilities</u>	
Accounts payable	4,745
Deferred revenue	5,753
Due to Local Development Finance Authority	121,319
Accrued interest payable	1,428
Long-term liabilities:	
Due within one year	45,000
Due in more than one year	<u>205,000</u>
Total liabilities	<u>383,245</u>
 <u>Net Assets</u>	
Investment in capital assets	(195,347)
Restricted for debt service	34,202
Unrestricted	<u>25,357</u>
 Total net assets	 <u><u>\$ (135,788)</u></u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Statement of Activities  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants/ Contributions</u>	<u>Governmental Activities Net (Expense) Revenue and Change in Net Assets</u>
Governmental activities:			
General government	\$ 41,309	\$ 0	\$ (41,309)
Community promotion	57,947	31,067	(26,880)
Community improvements	5,664	0	(5,664)
Interest on long-term debt	9,946	0	(9,946)
Total governmental activities	<u>\$ 114,866</u>	<u>\$ 31,067</u>	<u>(83,799)</u>
General revenues:			
Taxes:			
Property taxes			97,044
Special assessments			15,569
Interest			<u>5,770</u>
			<u>118,383</u>
Change in net assets			34,584
Net assets - beginning of year			<u>(170,372)</u>
Net assets - end of year			<u>\$ (135,788)</u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Governmental Funds  
Balance Sheet  
June 30, 2006

		2003	1993	Non-Major Fund Trowbridge Land Acquisition	
	General	General Obligation Bonds	Special Assessment Bonds	Bonds	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 136,040	\$ 1	\$ 25,589	\$ 7,261	\$ 168,891
Receivables:					
Special assessments	0	0	5,753	0	5,753
Due from other funds	0	978	0	0	978
Prepaid expenses	8,950	0	0	0	8,950
Discount on bonds net of amortization	0	0	373	0	373
Total Assets	<u>\$ 144,990</u>	<u>\$ 979</u>	<u>\$ 31,715</u>	<u>\$ 7,261</u>	<u>\$ 184,945</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 4,745	\$ 0	\$ 0	\$ 0	\$ 4,745
Deferred revenue	0	0	5,753	0	5,753
Due to other funds	978	0	0	0	978
Due to Local Development Finance Authority	121,319	0	0	0	121,319
Total liabilities	<u>127,042</u>	<u>0</u>	<u>5,753</u>	<u>0</u>	<u>132,795</u>
<u>Fund Balance</u>					
Reserved for debt service	0	979	25,962	7,261	34,202
Unreserved:					
Undesignated	17,948	0	0	0	17,948
Total fund balance	<u>17,948</u>	<u>979</u>	<u>25,962</u>	<u>7,261</u>	<u>52,150</u>
Total Liabilities and Fund Balance	<u>\$ 144,990</u>	<u>\$ 979</u>	<u>\$ 31,715</u>	<u>\$ 7,261</u>	<u>\$ 184,945</u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2006

Total fund balance - governmental funds	\$ 52,150
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of capital assets	82,100
Accumulated depreciation	(26,019)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(250,000)
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	
Bond issuance costs	10,460
Accumulated amortization	(3,051)
Accrued interest expense is not included as a liability in governmental funds	<u>(1,428)</u>
Total net assets - governmental activities	<u><u>\$ (135,788)</u></u>

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2006

	General	2003 General Obligation Bonds	1993 Special Assessment Bonds	Non-major Fund Trowbridge Land Acquisition Bonds	Totals
<u>Revenues</u>					
Local sources:					
Property taxes	\$ 97,044	\$ 0	\$ 0	\$ 0	\$ 97,044
Special assessments	0	0	15,569	0	15,569
Interest	5,701	0	0	69	5,770
Downtown Musical donations	14,467	0	0	0	14,467
Arts Council grants	12,600	0	0	0	12,600
Other donations	4,000	0	0	0	4,000
Total revenues	133,812	0	15,569	69	149,450
<u>Expenditures</u>					
Operating:					
General government	16,253	0	0	0	16,253
Community promotion	57,947	0	0	0	57,947
Community improvements	5,664	0	0	0	5,664
Debt service:					
Principal	0	30,000	15,000	0	45,000
Interest and fees	0	7,875	2,557	0	10,432
Bond discount amortization	0	0	140	0	140
Total expenditures	79,864	37,875	17,697	0	135,436
Excess (deficiency) of revenues over expenditures	53,948	(37,875)	(2,128)	69	14,014
<u>Other Financing Sources (Uses)</u>					
Operating transfers from other funds	0	37,875	0	0	37,875
Transfer to other governmental units	(21,478)	0	0	0	(21,478)
Operating transfers to other funds	(37,875)	0	0	0	(37,875)
Total other financing sources (uses)	(59,353)	37,875	0	0	(21,478)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(5,405)	0	(2,128)	69	(7,464)
Fund balance - beginning of year	23,353	979	28,090	7,192	59,614
Fund balance - end of year	\$ 17,948	\$ 979	\$ 25,962	\$ 7,261	\$ 52,150

See accompanying notes to financial statements

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2006

Net change in fund balance - total governmental funds	\$ (7,464)
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of the bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Repayment of bonds	45,000
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Amortization expense	(1,046)
Depreciation expense	(2,392)
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	486
Change in net assets of governmental activities	\$ 34,584

See accompanying notes to financial statements

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Evart - Downtown Development Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Evart - Downtown Development Authority:

**Reporting Entity**

On July 29, 1984, the City Council of the City of Evart, Osceola County, Michigan, established a Downtown Development Authority (Authority) to provide necessary infrastructure services to the downtown area, to create a positive surrounding, and to promote and attract additional business growth within the Downtown Development Authority boundaries. The life of the Authority is thirty years, after which time all assets acquired revert back to the City of Evart. The agreement was amended June 10, 1993, to extend the life of the Authority to the year 2023. The Authority is a component unit of the City of Evart.

The Authority is governed by a nine-member appointed board.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

**General Fund** – This fund is the general operating fund of Authority. It is used to account for all financial transactions except those required to be accounted for in another fund.

**2003 General Obligation Debt Fund** – This fund is used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs.

**1993 Special Assessment Debt Fund** – This fund is used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity**

Cash and Investments – Cash and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, furniture and fixtures are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building improvements	15 to 20 Years
Furniture and fixtures	5 to 20 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General Fund prior to the expenditure of monies in a fiscal year.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Authority's Project Consultant submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. Budgeted amounts are as originally adopted, or as amended, by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
3. Appropriations lapse at year end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

During the year ended June 30, 2006, the Authority incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Community improvements	\$ 0	\$ 5,664	\$ (5,664)
Transfers to other governmental units	16,150	21,478	(5,328)

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Authority's deposits are in accordance with statutory authority.

At year-end, the Authority's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	<u>\$ 168,891</u>

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2006, \$73,117 of the Authority's bank balance of \$173,117 was exposed to custodial credit risk.

The Authority's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The Authority has no investments as of June 30, 2006.

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2006**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the Authority for the current year was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 11,100	\$ 0	\$ 0	\$ 11,100
Capital assets being depreciated:				
Buildings	50,000	0	0	50,000
Building improvements	12,000	0	0	12,000
Furniture and fixtures	9,000	0	0	9,000
Subtotal	71,000	0	0	71,000
Less accumulated depreciation for:				
Buildings	11,250	1,250	0	12,500
Building improvements	4,277	692	0	4,969
Furniture and fixtures	8,100	450	0	8,550
Subtotal	23,627	2,392	0	26,019
Net capital assets being depreciated	47,373	(2,392)	0	44,981
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 58,473</u>	<u>\$ (2,392)</u>	<u>\$ 0</u>	<u>\$ 56,081</u>

Depreciation expense was charged to programs of the Authority as follows:

Governmental Activities:

    General government \$ 2,392

CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2006

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

A summary of interfund receivables and payables and interfund transfers at June 30, 2006 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 978	\$ 0	\$ 37,875
Debt service	<u>978</u>	<u>0</u>	<u>37,875</u>	<u>0</u>
	<u>\$ 978</u>	<u>\$ 978</u>	<u>\$ 37,875</u>	<u>\$ 37,875</u>

Interfund balances and transfers are used to support funding for debt service.

**NOTE 6 – LONG-TERM DEBT**

Long-term debt activity is summarized as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Balance June 30, 2006</u>	<u>Amount Due Within One Year</u>
Bonds	<u>\$ 295,000</u>	<u>\$ 0</u>	<u>\$ 45,000</u>	<u>\$ 250,000</u>	<u>\$ 45,000</u>

Bonds payable at June 30, 2006 is comprised of the following issues:

\$150,000 Special Assessment Bonds due in annual installments of \$15,000 through November 1, 2007, interest at 5.0% to 5.5%	\$ 30,000
\$300,000 General Obligation Bonds due in annual installments of \$25,000 to \$35,000 through May 1, 2013, interest at of 3.15%	<u>220,000</u>
Total Bonded Debt	<u>\$ 250,000</u>

**CITY OF EVART – DOWNTOWN DEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2006**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize bonds outstanding as of June 30, 2006 including interest payments are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 45,000	\$ 8,161	\$ 53,161
2008	45,000	6,398	51,398
2009	30,000	5,040	35,040
2010	30,000	4,095	34,095
2011	30,000	3,150	33,150
2012-2013	70,000	3,308	73,308
Total	<u>\$ 250,000</u>	<u>\$ 30,152</u>	<u>\$ 280,152</u>

**NOTE 7 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to property loss, torts and errors and omissions. The Authority has purchased commercial insurance for claims relating to general liability and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8 – ECONOMIC DEPENDENCY**

The Authority received approximately 52% of their property tax revenue from one taxpayer. Due to the significance of this revenue source to the Authority, the Authority is considered to be economically dependent.

Required Supplementary Information

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
 Required Supplemental Information  
 Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual
<u>Revenues</u>			
Local sources:			
Property taxes	\$ 93,300	\$ 93,300	\$ 97,044
Interest	2,000	2,000	5,701
Downtown Musical donations	20,000	20,000	14,467
Arts Council grants	12,000	12,000	12,600
Other donations	0	0	4,000
Total revenues	<u>127,300</u>	<u>127,300</u>	<u>133,812</u>
<u>Expenditures</u>			
Operating:			
General government	26,850	26,850	16,253
Community promotion	64,300	64,300	57,947
Community improvements	0	0	5,664
Total expenditures	<u>91,150</u>	<u>91,150</u>	<u>79,864</u>
Excess of revenues over expenditures	<u>36,150</u>	<u>36,150</u>	<u>53,948</u>
<u>Other Financing (Uses)</u>			
Transfers to other governmental units	(16,150)	(16,150)	(21,478)
Operating transfers out to other funds	(37,875)	(37,875)	(37,875)
Total other financing (uses)	<u>(54,025)</u>	<u>(54,025)</u>	<u>(59,353)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	(17,875)	(17,875)	(5,405)
Fund balance - beginning of year	<u>23,353</u>	<u>23,353</u>	<u>23,353</u>
Fund balance - end of year	<u>\$ 5,478</u>	<u>\$ 5,478</u>	<u>\$ 17,948</u>

### Other Supplementary Information

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Schedule of Bonded Indebtedness  
1993 Special Assessment Bonds  
For the Year Ended June 30, 2006

**PURPOSE** The purpose of the 1993 Special Assessment Bonds was for the acquisition, construction and installation of certain water, storm sewer and street reconstruction, parking, sidewalk, street lighting and streetscape improvements.

**DATE OF ISSUE** September 1, 1993

**AMOUNT OF ISSUE** \$150,000

<b><u>AMOUNT RETIRED</u></b>			
During prior years	\$ 105,000		
During current year	<u>15,000</u>		<u>120,000</u>

<b><u>BALANCE OUTSTANDING - June 30, 2006</u></b>			<u>\$ 30,000</u>
---	--	--	------------------

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	5.40%	\$ 15,000	\$ 1,231	\$ 16,231
2008	5.50%	<u>15,000</u>	<u>413</u>	<u>15,413</u>
		<u>\$ 30,000</u>	<u>\$ 1,644</u>	<u>\$ 31,644</u>

CITY OF EVART - DOWNTOWN DEVELOPMENT AUTHORITY  
Schedule of Bonded Indebtedness  
2003 General Obligation Bonds  
For the Year Ended June 30, 2006

PURPOSE The purpose of the 2003 general obligation bond is to pay the cost of certain improvements, including the acquisition and construction of streetscape improvements on US-10 and on side streets intersecting US-10.

DATE OF ISSUE July 30, 2003

AMOUNT OF ISSUE \$300,000

<u>AMOUNT RETIRED</u>			
During prior years	\$	50,000	
During current year		30,000	80,000

<u>BALANCE OUTSTANDING - June 30, 2006</u>		\$	220,000
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<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.15%	\$ 30,000	\$ 6,930	\$ 36,930
2008	3.15%	30,000	5,985	35,985
2009	3.15%	30,000	5,040	35,040
2010	3.15%	30,000	4,095	34,095
2011	3.15%	30,000	3,150	33,150
2012	3.15%	35,000	2,205	37,205
2013	3.15%	35,000	1,103	36,103
		<u>\$ 220,000</u>	<u>\$ 28,508</u>	<u>\$ 248,508</u>



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

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ROBERT J. DUYCK, CPA

October 11, 2006

Board of Directors  
City of Evart – Downtown Development  
Authority  
City of Evart, Michigan

This letter is intended to inform the Authority Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Authority Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

## **The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the Authority for the year ended June 30, 2006 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

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# WEINLANDER FITZHUGH

Board of Directors  
City of Evert – Downtown Development  
Authority  
October 11, 2006  
Page 2

## **Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments were not significant.

## **Disagreements with Management**

We encountered no disagreements with management over the application of significant principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

## **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

## **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

## **Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

## **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Authority.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than the specified parties.

*Weinlander Fitzhugh*